



CITY OF FREMONT NEBRASKA

CITY COUNCIL STUDY SESSION

October 1, 2019

City Council Chambers 400 East Military, Fremont NE
STUDY SESSION – 5:30 P.M.
STUDY SESSION AGENDA

STUDY SESSION:

1. Meeting called to order
2. Roll call
3. Receive information and discuss Property Assessed Clean Energy (PACE) District
4. Receive information and discuss adoption of an Occupational Tax at the Fremont Mall
5. Adjournment

Agenda posted at the Municipal Building on September 27, 2019 and online at www.fremontne.gov. Agenda distributed to the Mayor and City Council on September 27, 2019. This meeting is preceded by publicized notice in the Fremont Tribune and the agenda, including notice of study session, is displayed in the Municipal Building and is open to the public. The official current copy is available at City Hall, 400 East Military, City Clerk's Office. The City Council reserves the right to go into Executive Session at any time. A copy of the Open Meeting Law is posted in the City Council Chambers for review by the public. The City of Fremont reserves the right to adjust the order of items on this agenda.

§2-109 Audience / Participant; Rules of Conduct.

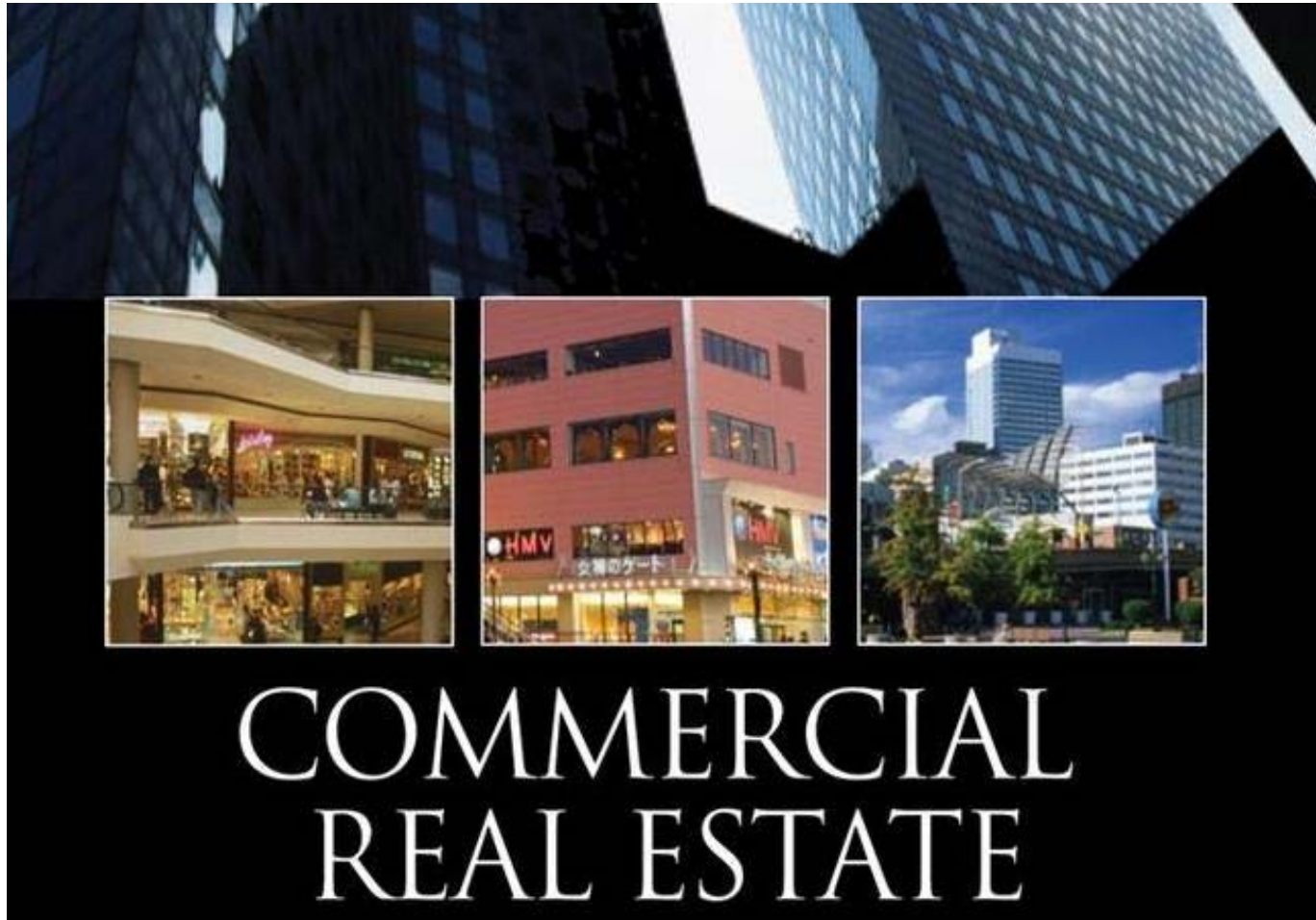
The following rules are established for audience members and participants at a Council meeting:

1. At the discretion of the presiding officer, any person may address the Council, on any agenda item; however, questions to City officials or staff, other speakers, or members of the audience are not permitted and will not be answered.
2. Any person wishing to address the Council shall first state their name and address
3. Remarks shall be limited to five minutes unless extended or limited by the Presiding Officer or majority vote of the Council.
4. No person will be permitted to address the Council more than once during discussion of a particular agenda item. Rebuttal comments are not permitted.
5. Repetitive or cumulative remarks may be limited or excluded by the Presiding Officer or majority vote of the Council.
6. Profanity or raised voice is not permitted.
7. Applause, booing, or other indications of support or displeasure with a speaker are not permitted.
8. Any person violating these rules may be removed from the Council Chambers.

The following additional rules are established and applicable for public participants at an Open Public Comment Period or Study Session meeting:

9. At the direction of the presiding officer, Open Public Comment Period Speaker Topics will be limited to those not covered by a published agenda for any Study Session, or any regular City Council meeting.
10. A priority to speak at Open Public Comment Periods and Study Session shall be given to those speakers who reside within the City limits, or within the ETJ (Extra-Territorial Jurisdiction – a two (2) mile radius of the City limits) of Fremont, and then, as time allows, to those who do not.
11. Member of the public wishing to speak at a Study Session will be required to limit their comments to those that are directly related to the Publically Noticed Study Session agenda topic(s).
12. Written letters addressed to the City Council will be accepted, as will comment cards that will be made available and collected from those who attend Open Public Comment Period and Study Session meetings who do not wish to speak publically, but have an issue or concern that they believe the Council should be made aware of.

PACE FINANCING FOR



COMMERCIAL REAL ESTATE

PACE: Property Assessed Clean Energy

- Commercial Real Estate Financing for Energy Efficiency, Water Conservation & Renewable Energy Systems
- Long Term (20-30 years)
- Fixed Rates, Non-Recourse
- Secured by Annual Assessments on the Property (reason why states and cities are involved)
- No Public Funds At-Risk; No City or Taxpayer Liability

WHAT IS PACE FINANCING?

- Financing tool approved in 36 states, Washington, D.C.
- 20 active state programs, 6 states in-development



PACE in Nebraska

- April 2016 – Legislature adopts PACE Act (LB 1012)*
- May 2017 – Omaha passes first PACE ordinance
- June 2018 – First PACE loan funded in Omaha
- August 2018 – Lincoln passes PACE ordinance
- April 2019 – First PACE loan funded in Lincoln
- August 2019 – La Vista passes PACE ordinance

PACE in Nebraska

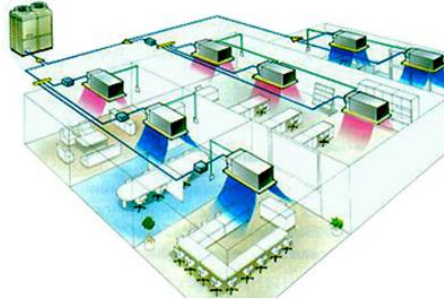
- Largest Project: \$24.9 million, Omaha Capitol District
 - 333-room Marriott hotel
 - 223-unit apartment building
 - 90,000 sf retail space
- Smallest Project: \$900,000 for a car wash in Omaha
- Total PACE loans approved as of 9/27/19:
 - Ten in Omaha, Two in Lincoln; approx \$45 million
- Eight hotels; others: apartments, indoor sports facility, car wash, retail

WHAT CAN PACE FINANCE?

Qualifying Energy Conservation Measures: Energy Efficiency, Water Conservation, and Renewable Energy Systems



Commercial Boiler



VRF HVAC System



LED Lighting



Chiller



Fume Hood



Escalator



Refrigeration



Parking Lights

PACE CAN FINANCE:



Controls



Elevator



Windows



Cool Roof



Solar PV

- Insulation
- Caulking, Weather-stripping and Air Sealing
- Water Heating Systems
- Daylighting Systems
- Energy Recovery Systems
- Cogeneration and Trigeneration
- Solar, Geothermal, & Wind
- Energy efficiency related items up to 25% of the total cost of the energy project

AND MORE...

DEVELOPMENT SCENARIOS FOR PACE

- Redevelopment including:
 - Renovations
 - Retrofits
 - Rehabs
 - Conversions
- Owner occupied building projects
- New construction
- Non profits (YMCA's & churches)

PACE IN THE CAPITAL STACK

Project Financing Without PACE

Project Cost	<u>100</u>
Debt	70
Equity	<u>30</u>
Total	100

Project Financing With PACE

Project Cost	<u>100</u>
Debt	70
PACE	20
Equity	<u>10</u>
Total	100

PACE – AN ALTERNATIVE SOURCE OF EQUITY

- Cost of PACE Equity: 5.25% - 6.25% (Sept 2019)
- Cost of Investor Equity: 8% - 14%

BENEFITS OF PACE

- Available through project completion in Nebraska (in many states up to 36 months beyond completion)
- PACE can fund 100% of the Energy Efficiency, Water Conservation & Renewable Energy System related improvements of a Project, up to a maximum of 20% - 30% of the property's "Value at Completion"
- Typically \$500k* to \$20 Million plus for a single PACE loan
- No lengthy public approval process (45 – 90 days from application to closing)



Senior Lender Consent Required

In every Commercial PACE transaction, existing lienholders (typically a bank) are asked to provide Acknowledgment, Consent and Subordination to PACE liens.

In Nebraska PACE liens are ONLY triggered when a borrower misses a payment; even then it's only the missed payment that becomes a lien. PACE loans never accelerate.

First National Bank of Omaha, Great Western Bank, Union Bank, Five Points Bank, and Pinnacle Bank have consented in Nebraska.

ENERGY ENGINEERING – TO QUALIFY A PACE PROJECT

Project Details *Submit separate sheet if necessary*

Measure #	Description /Specification of Energy Measure
#1	Parking Lot Lighting Retrofit: replacement of 22 existing 400w MH fixtures with new 235w LED fixtures.
#2	Building Exterior Lighting Retrofit: replacement of 94 existing fixtures in soffits of the building with new LED fixtures.
#3	Roof Replacement: replacement of approximately 97,000sf of roofing. Existing roof cores showed an estimated R-value of 8. New roof has a R-value of 25.
#4	Storefront Window Replacement: replacement of approximately 6000sf of existing storefront window system.
#5	HVAC RTU Replacements: replacement of existing rooftop units (160 tons) with high efficiency units.
#6	EIFS Repairs: repair and replacement of approximately 1000sf of EIFS (and insulation) around the building.

Measure #	Construction Costs/Bids	Estimated Useful Life (yrs.)	Year #1 Energy Savings	Year #1 Maintenance & Operational Savings	Over Term Energy Savings (specify % growth/yr.)	Over Term Maintenance & Operational Savings (specify % growth/yr.)	Over Term Total Savings (Energy + O&M)
#1	\$164,468	20	\$954	\$2,200	\$32,390	\$74,697	\$107,087
#2	\$8,563	20	\$410	\$2,350	\$13,920	\$79,790	\$93,710
#3	\$684,218	30	\$1,590	\$5,000	\$53,999	\$169,766	\$223,765
#4	\$121,547	30	\$1,005	\$1,500	\$34,111	\$50,930	\$85,041
#5	\$200,000	20	\$23,640	\$1,500	\$802,661	\$50,930	\$853,591
#6	\$126,000	20	\$54	\$500	\$1,824	\$16,977	\$18,800
Total	\$1,304,796		\$27,653	\$13,050	\$938,904	\$443,090	\$1,381,994

Estimated total energy savings
(in kBtu, kwh or therms)

Electricity = 305,973kWh; Gas =
3,175Mcf

ENERGY ENGINEERING – TO QUALIFY A PACE PROJECT

About half of the states with active PACE programs do not require PACE projects to meet a Savings to Investment Ratio (SIR). Nebraska's PACE law includes an SIR standard but to prevent the SIR from disqualifying otherwise worthy projects, LB23 (2019) allows the SIR standard to be waived by the PACE program administrator.

From the Nebraska PACE Act: LB23 (2019)

...there are sufficient resources to complete the energy project and that the **energy project creates an estimated economic benefit**, including, but not limited to, energy **and water** cost savings, maintenance cost savings, and other property operating savings expected from the energy project during the financing period, **which is equal to or greater than the principal cost of the energy project.** **The estimated economic benefit may be derived from federal, state or third-party energy certifications or from standards of energy or water savings associated with a particular energy efficiency improvement or set of energy efficiency improvements.** **A municipality may waive the requirements of this subdivision upon request of the owner of the qualifying property, and, if such request is denied, the owner may appeal the denial ...**

PACE Program Approval and Administration

- Adopt PACE ordinance and designate PACE administrator
- Publish PACE program guide incl application & fee schedule
- Accept PACE applications including application fee
- Review and approve/deny application
- Issue letter of qualification
- Review, approve and sign PACE assessment contract
- City receives administrative fee at PACE loan closing
- Third-party confirms installation of qualifying measures
- City receives annual fee for program admin; annual report
- City responsible for filing lien if default (missed payment)

Why do Cities adopt PACE?

- An Existing or New Business Owner or Developer wants to Use PACE Financing
- No Public Funds At-Risk; No City or Taxpayer Liability
- Gives Commercial Real Estate owners & developers another tool to help finance new construction or upgrade existing buildings
- Adds Another Economic Development Tool to the Tool Box (today Iowa and Kansas do NOT have PACE laws)



Questions?



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Managing Partner, Nebraska
PACE Sage Capital, LLC
1327 H Street, Suite 303
Lincoln, NE 68508
Cell: 402.470.7294
chris@pacesage.com
www.pacesage.com



Mike Bacon

Attorney 43 years

City attorney 39 years

275 + TIF projects

80+ communities

Represent Fremont Mall

Represented a major first class city in
approving a mall occupation tax rehab.

Represented 2 private clients in obtaining
a mall occupation tax rehab.

The Request

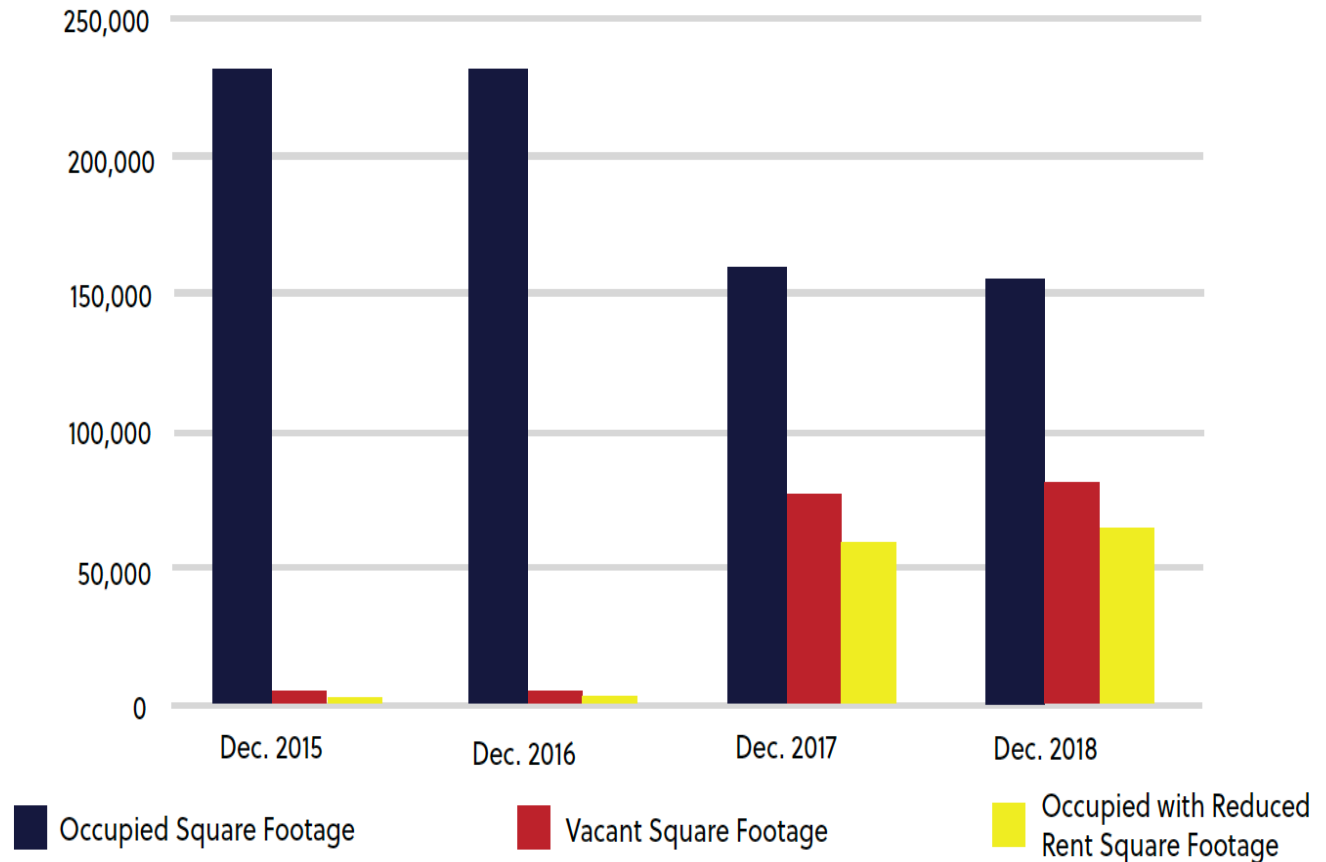
- Assist in rehabilitating the Fremont Mall.
- Impose an occupation tax on Mall retail sales of 1% to fund a Mall improvement bond.
- Bond proceeds used in Mall to repair and repurpose Mall areas in order to attract new tenants.
- Process similar to TIF approval, but does not touch property tax.

Fremont Mall Vacancy

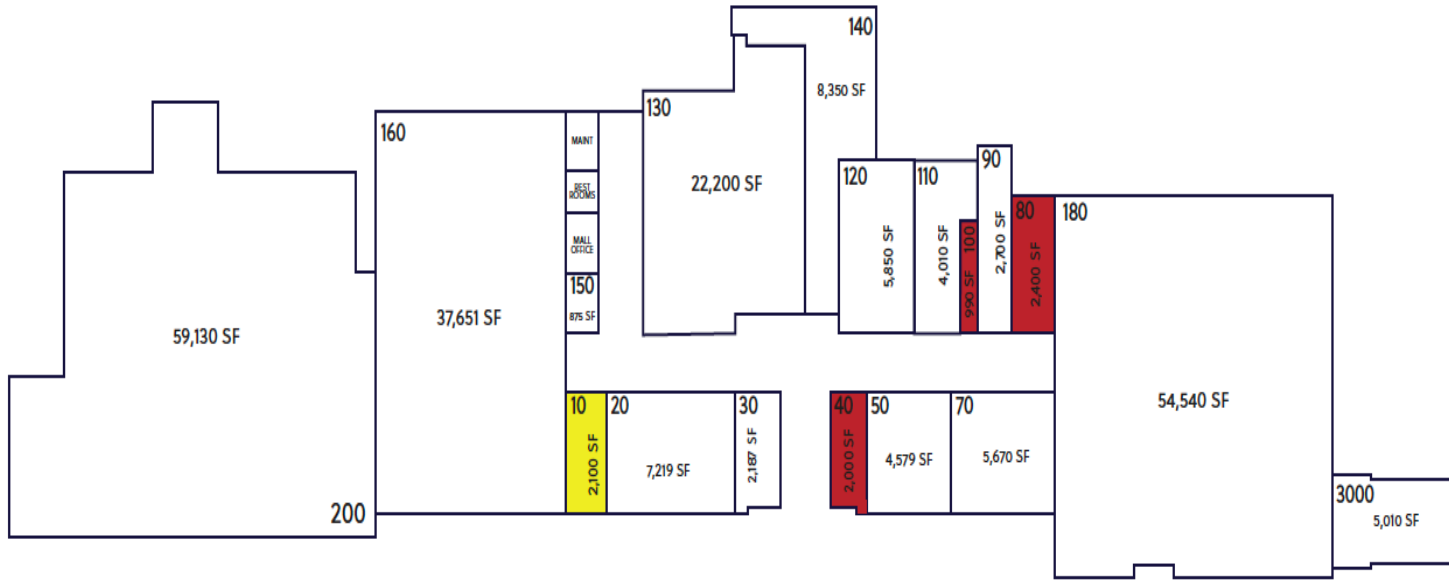
Fremont Vacancy Trends

Vacated Tenants

- Buckle
- Hallmark
- Hastings Entertainment
- JCPenney
- USA Steak
- Radio Shack
- Schweser's
- Claire's
- GNC 2/2019
- Nail Trix 2019



Fremont Vacancy Trends - 2015

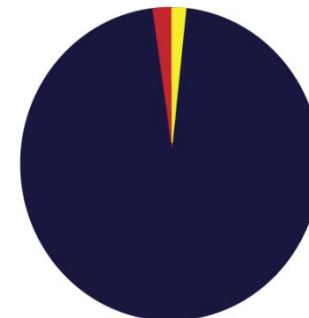


Outlot - 4,800 SF

Outlot - 4,975 SF

Outlot - 5,010 SF

Outlot - 33,630 SF



Occupied

231,846 SF

98%

Vacant

5,390 SF

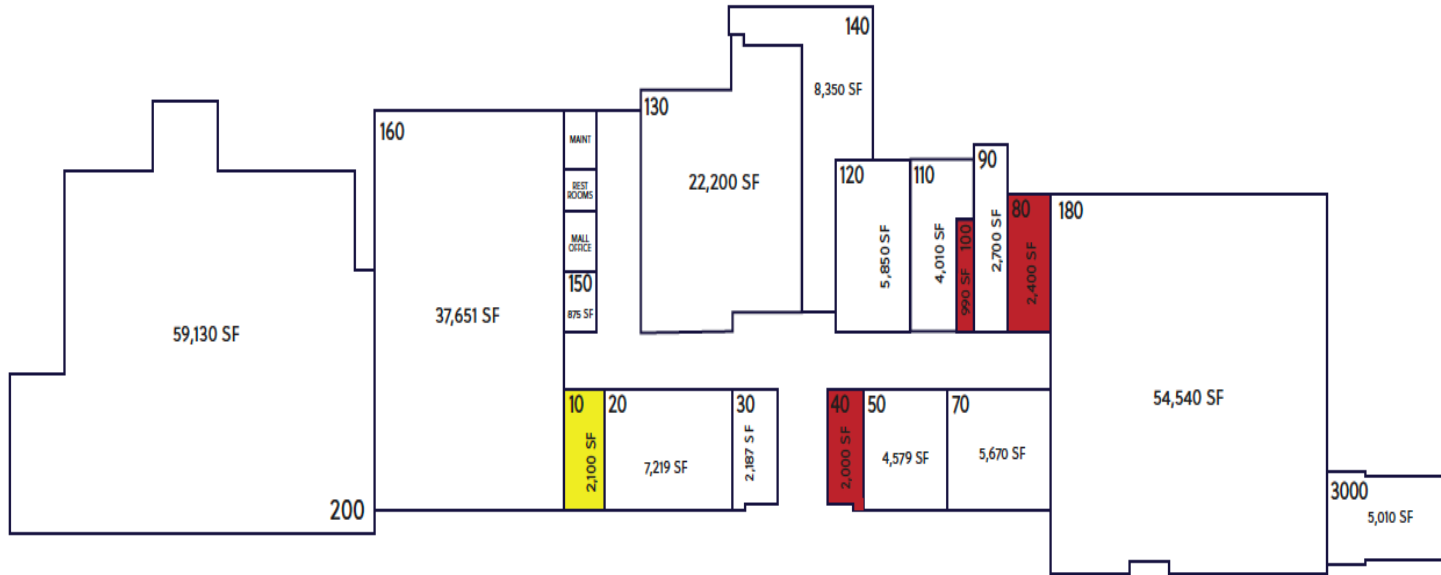
2%

Occupied w/ Reduced Rent

2,100 SF

1%

Fremont Vacancy Trends - 2016



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Occupied

231,846 SF

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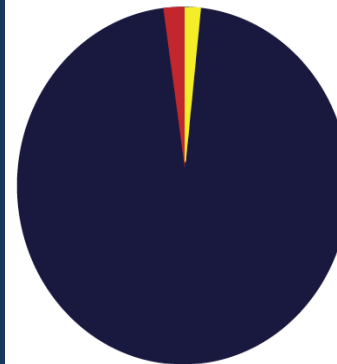
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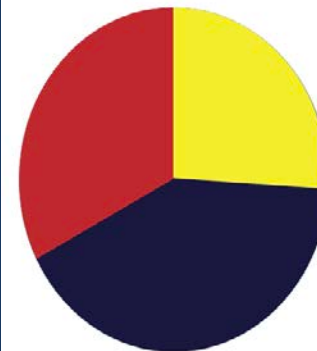
1%



Fremont Vacancy Trends - 2017



Outlot - 4,800 SF	Outlot - 4,975 SF
Outlot - 5,010 SF	Outlot - 33,630 SF



Occupied

159,577 SF

67%

Vacant

77,659 SF

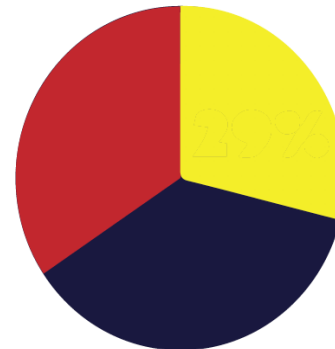
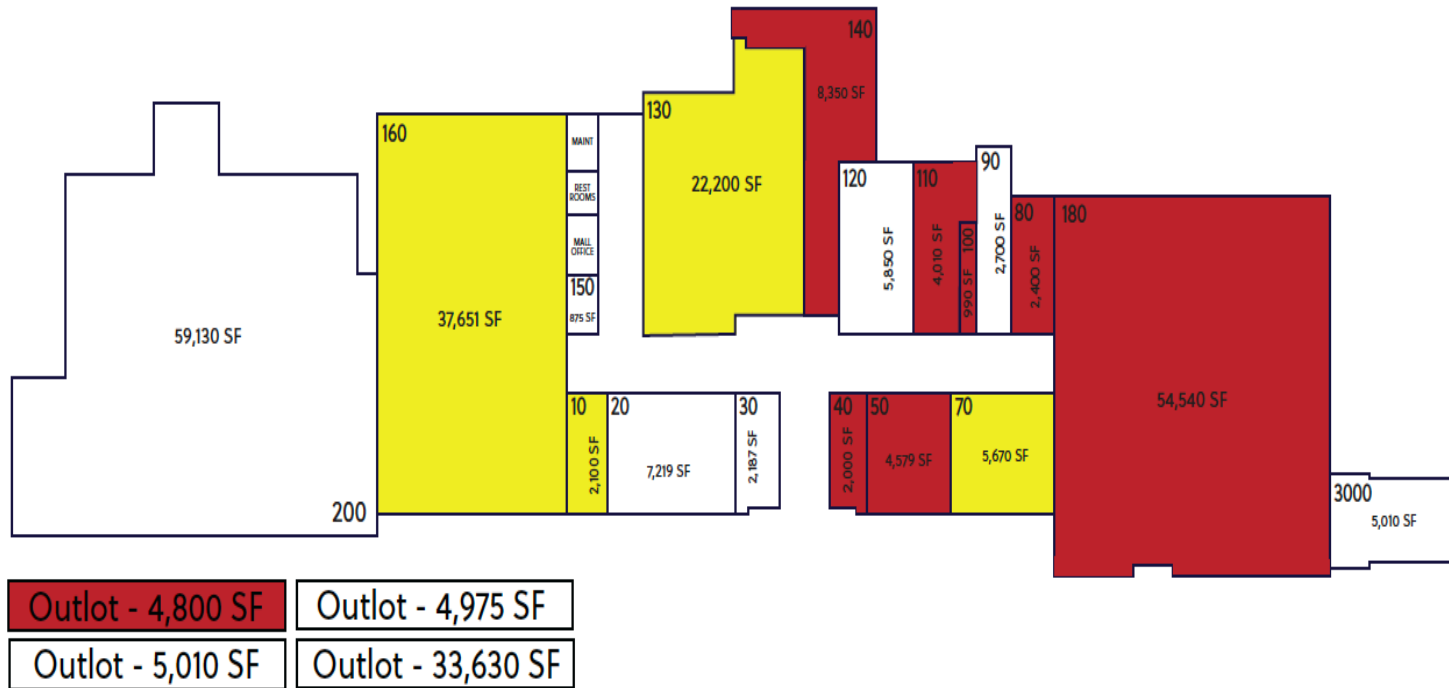
33%

Occupied w/ Reduced Rent

61,951 SF

26%

Fremont Vacancy Trends - 2018



Occupied

155,567 SF

66%

Vacant

81,669 SF

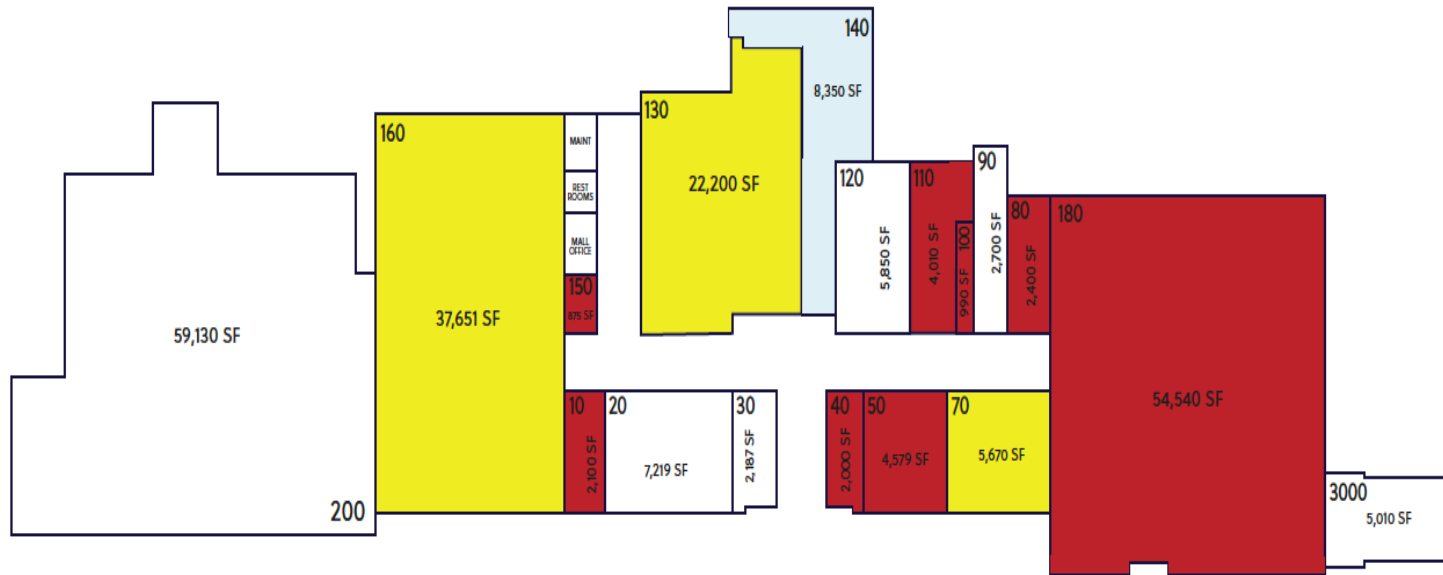
34%

Occupied w/ Reduced Rent

67,621 SF

29%

Fremont Vacancy Trends - 2019



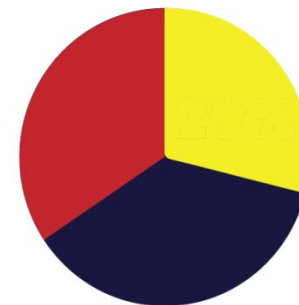
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Outlot - 33,630 SF

Bay 140 Midland University - Temp Tenant



Occupied

152,592 SF

64%

Vacant

84,644 SF

36%

Occupied w/ Reduced Rent

65,521 SF

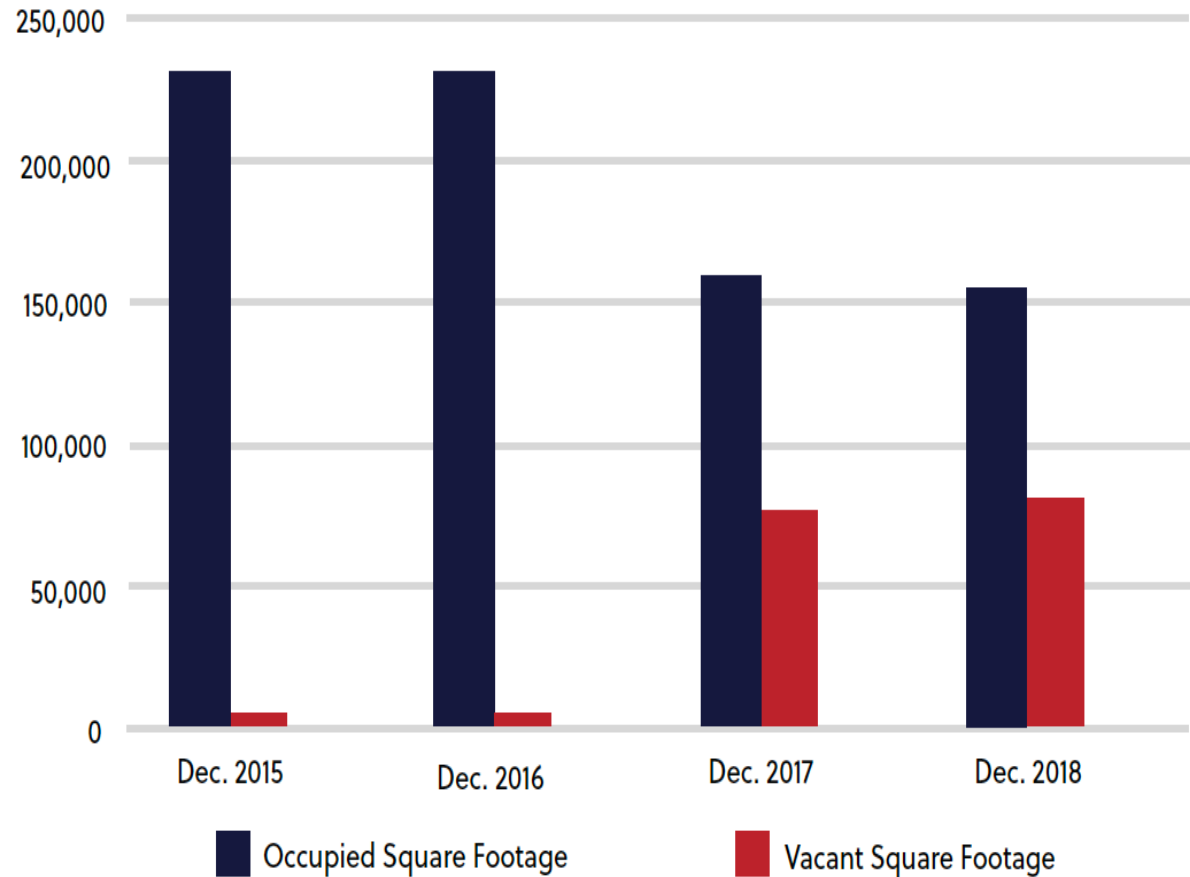
28%

Fremont Vacancy Trends

Occupied & Vacant SF

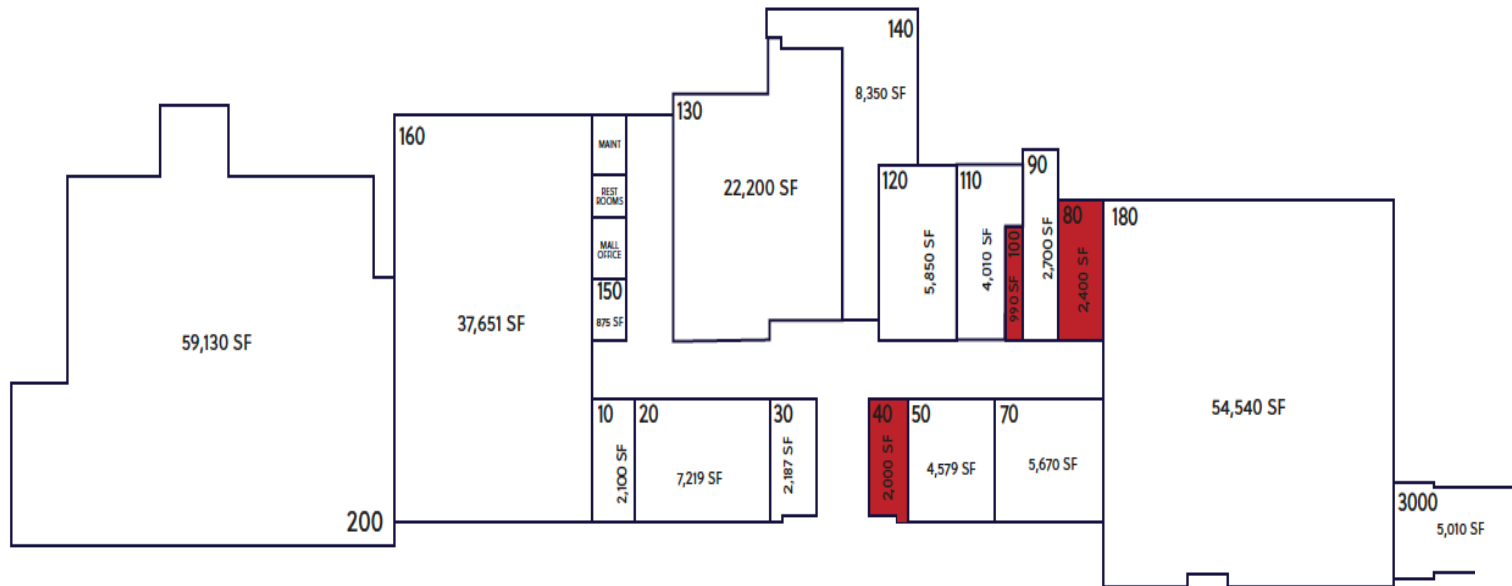
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Fremont Vacancy Trends - 2015

Occupied & Vacant SF

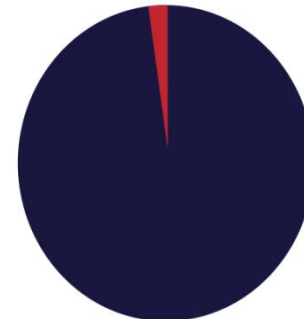


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Occupied

231,846 SF

98%

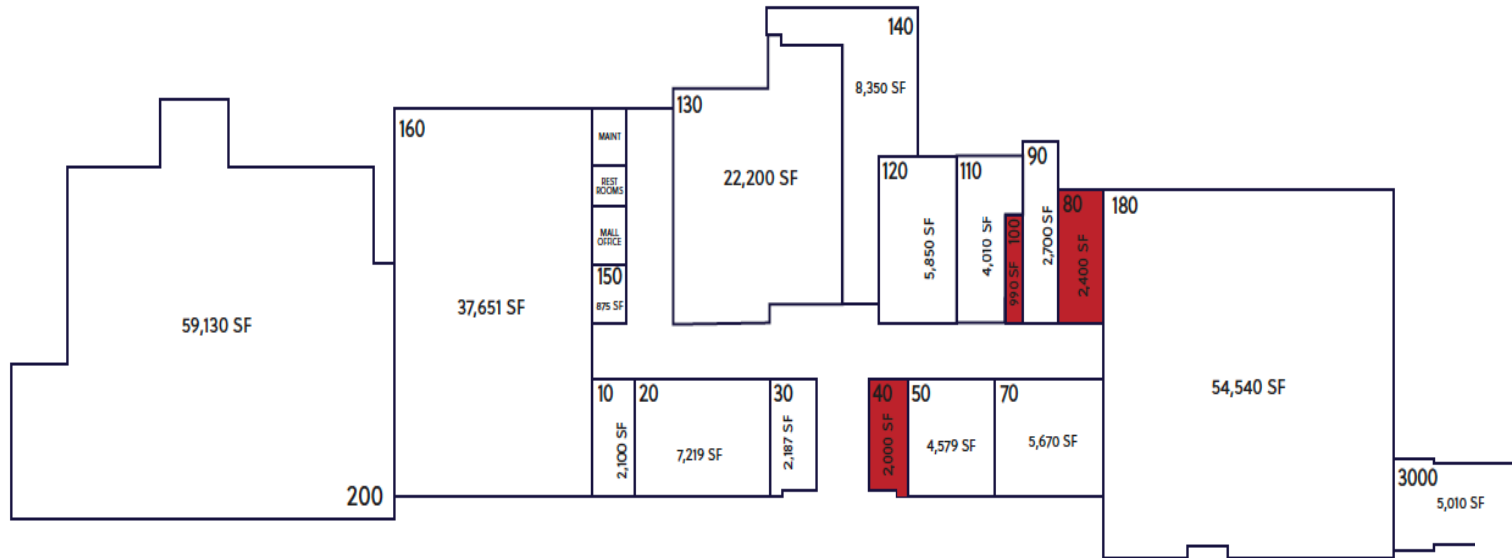
Vacant

5,390 SF

2%

Fremont Vacancy Trends - 2016

Occupied & Vacant SF

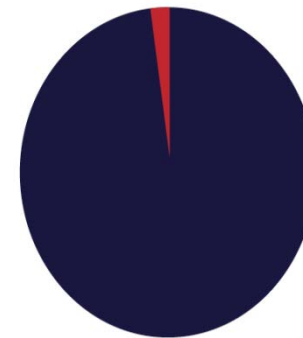


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Fremont Vacancy Trends - 2017

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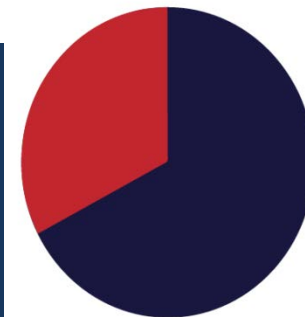


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159,577 SF

67%

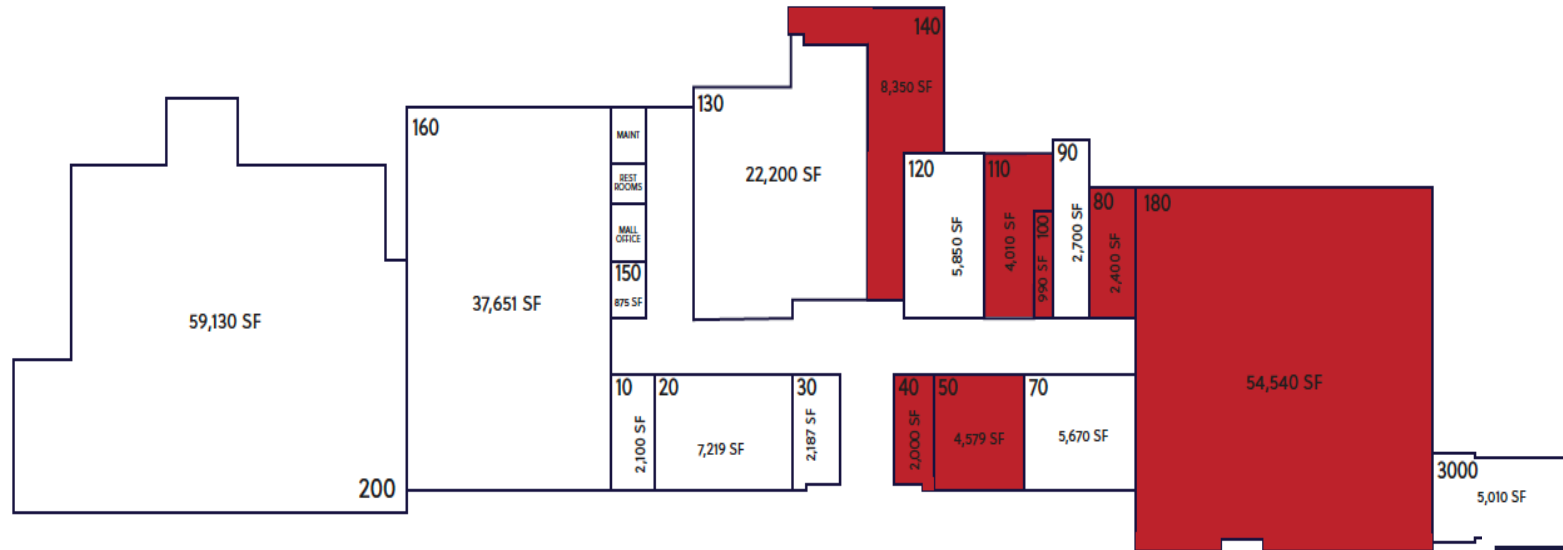
Vacant

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33%

Fremont Vacancy Trends - 2018

Occupied & Vacant SF

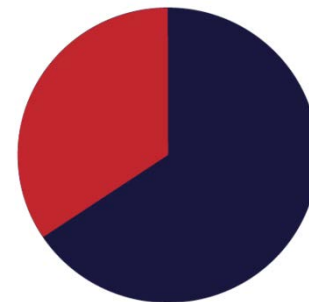


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Occupied

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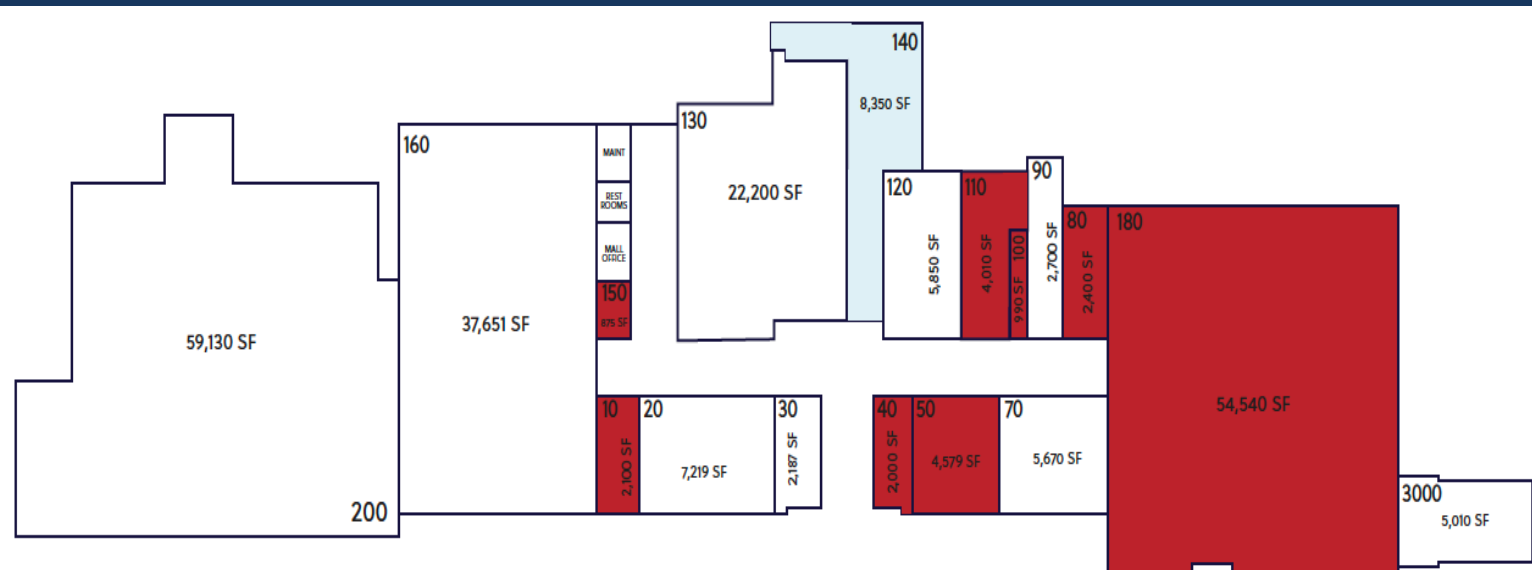
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81,669 SF

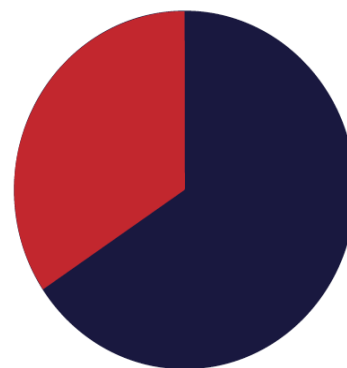
34%

Fremont Vacancy Trends - 2019

Occupied & Vacant SF



Outlot - 4,800 SF	Outlot - 4,975 SF
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Bay 140 Midland University - Temp Tenant	



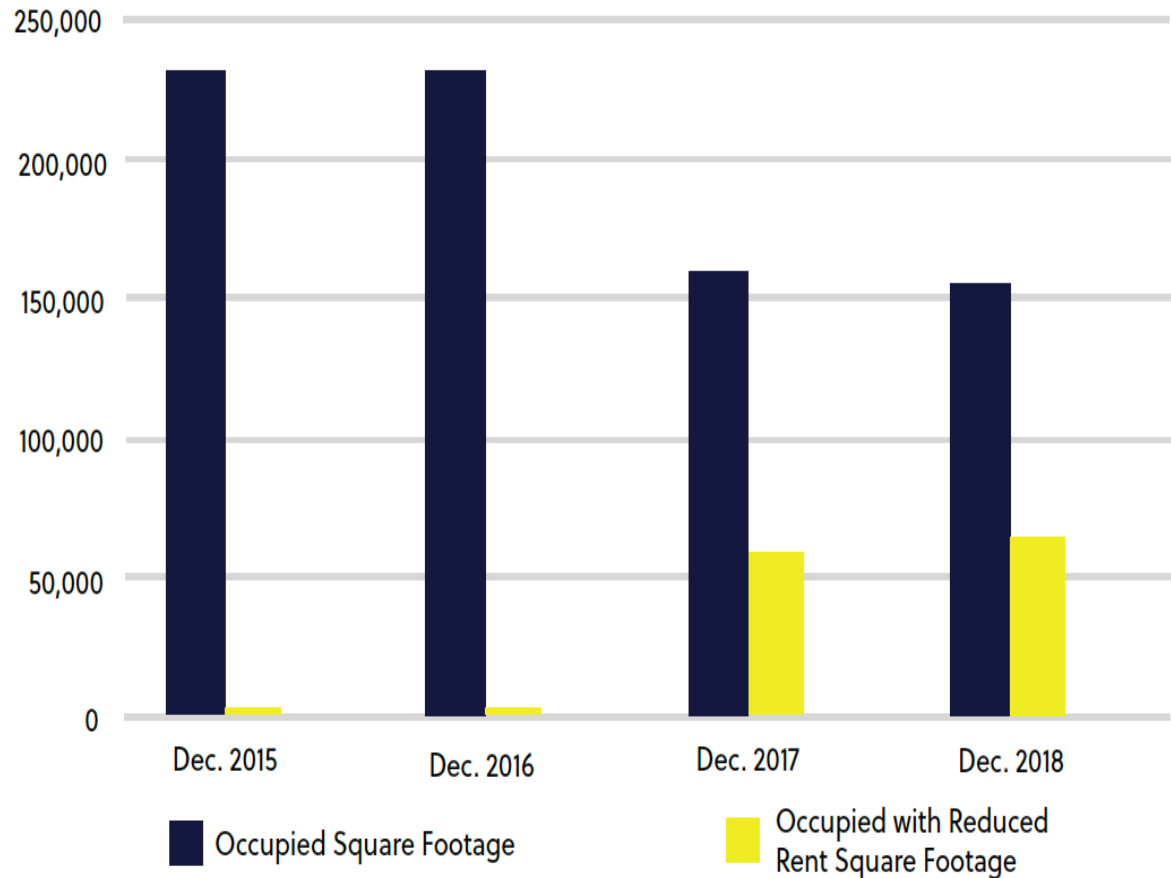
Occupied
152,592 SF
64%
Vacant
84,644 SF
36%

Fremont Vacancy Trends

Occupied with Reduced Rent SF

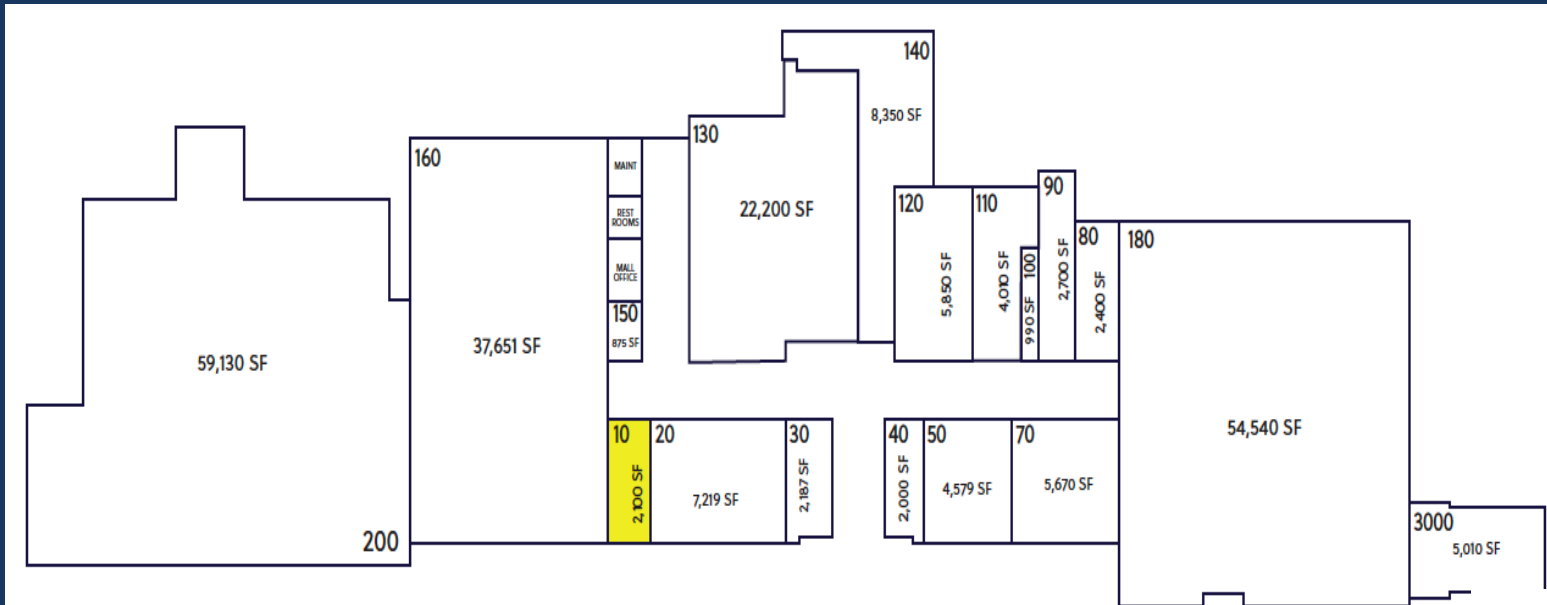
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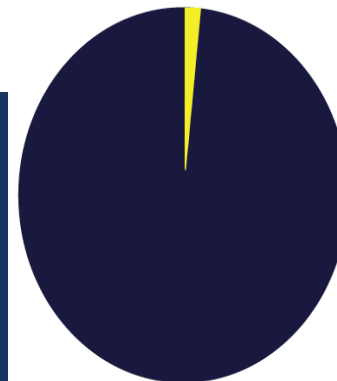


Fremont Vacancy Trends - 2015

Occupied with Reduced Rent SF



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Occupied

231,846 SF

98%

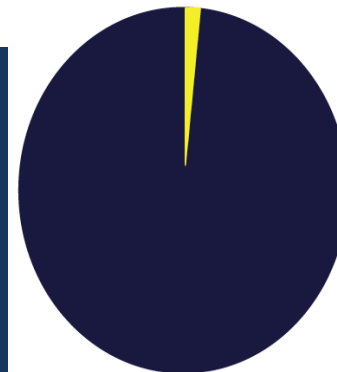
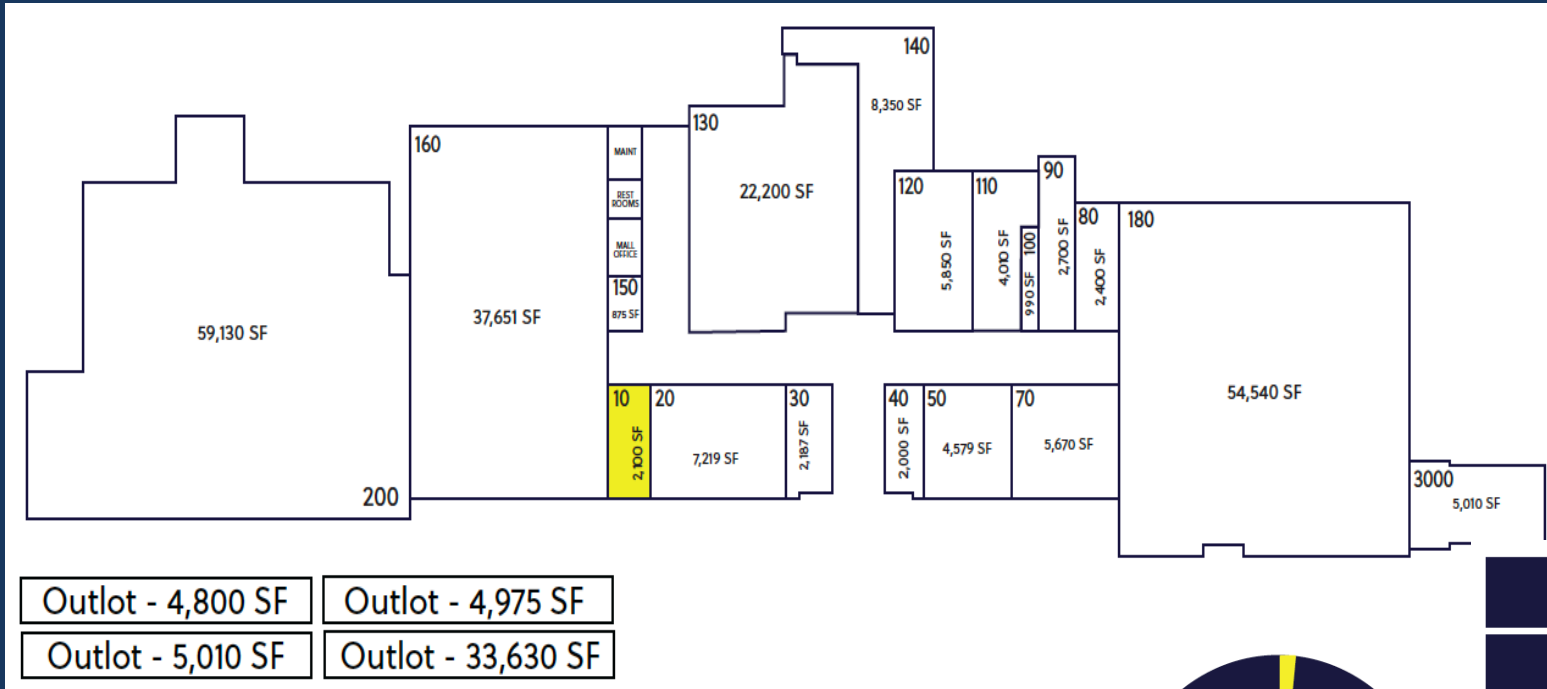
Occupied w/ Reduced Rent

2,100 SF

1%

Fremont Vacancy Trends - 2016

Occupied with Reduced Rent SF



Occupied

231,846 SF

98%

Occupied w/ Reduced Rent

2,100 SF

1%

Fremont Vacancy Trends - 2017

Occupied with Reduced Rent SF

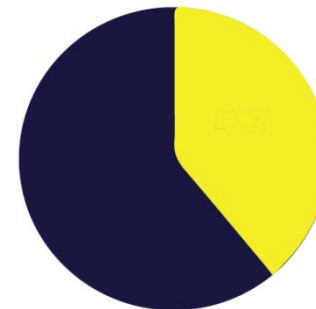


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Occupied

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67%

Occupied w/ Reduced Rent

61,951 SF

39%

Fremont Vacancy Trends - 2018

Occupied with Reduced Rent SF

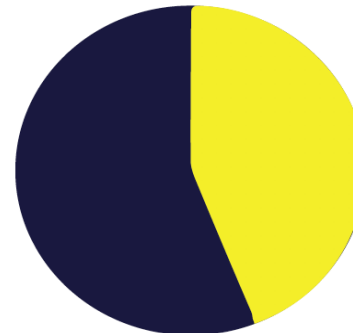


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Occupied

155,567 SF

66%

Occupied w/ Reduced Rent

67,621 SF

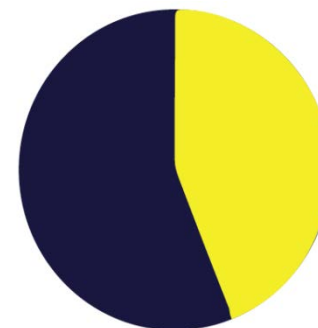
44%

Fremont Vacancy Trends - 2019

Occupied with Reduced Rent SF



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152,592 SF

64%

Occupied w/ Reduced Rent

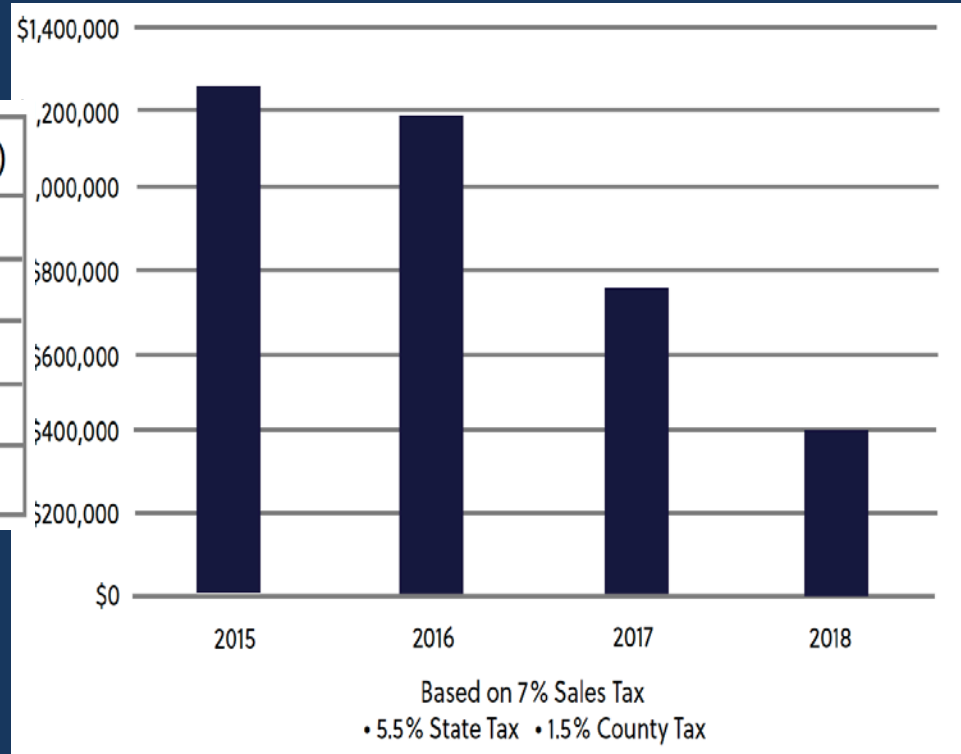
65,521 SF

43%

Estimated Sales Tax Generated by Fremont Mall

15 Tenants Reported

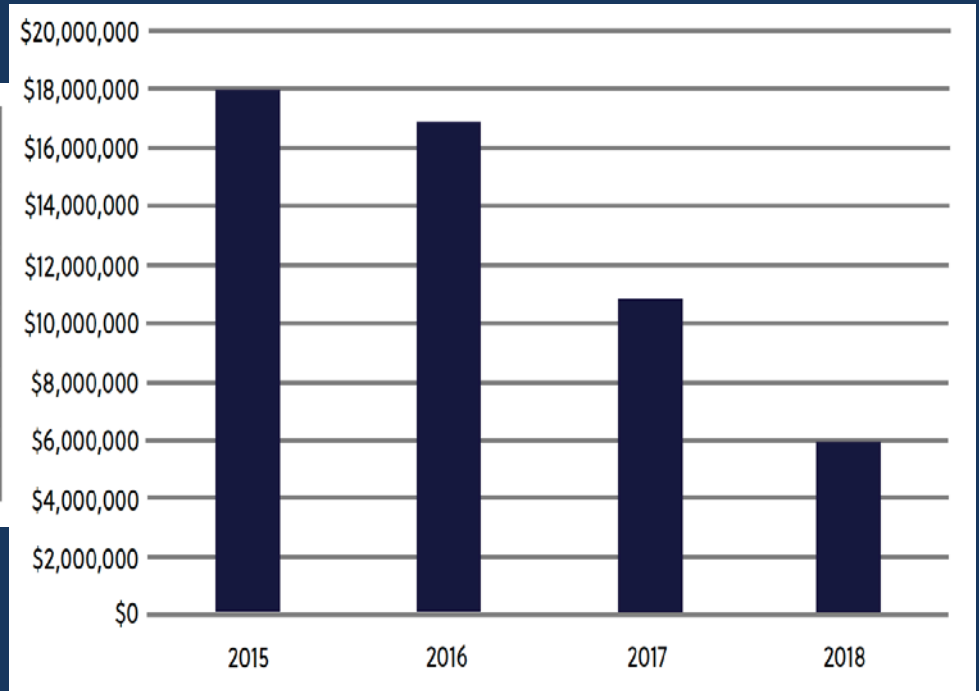
Sales Tax Generated (Reported)		Decline (\$)	Decline (%)
2015	\$1,254,550	\$-	
2016	\$1,183,028	\$-71,522	-5.7%
2017	\$761,257	\$-421,772	-35.7%
2018	\$411,890	\$-349,367	-45.9%
Cumulative	\$3,610,726	\$-842,661	-67.2%



Fremont Mall Annual Sales

15 Tenants Reported

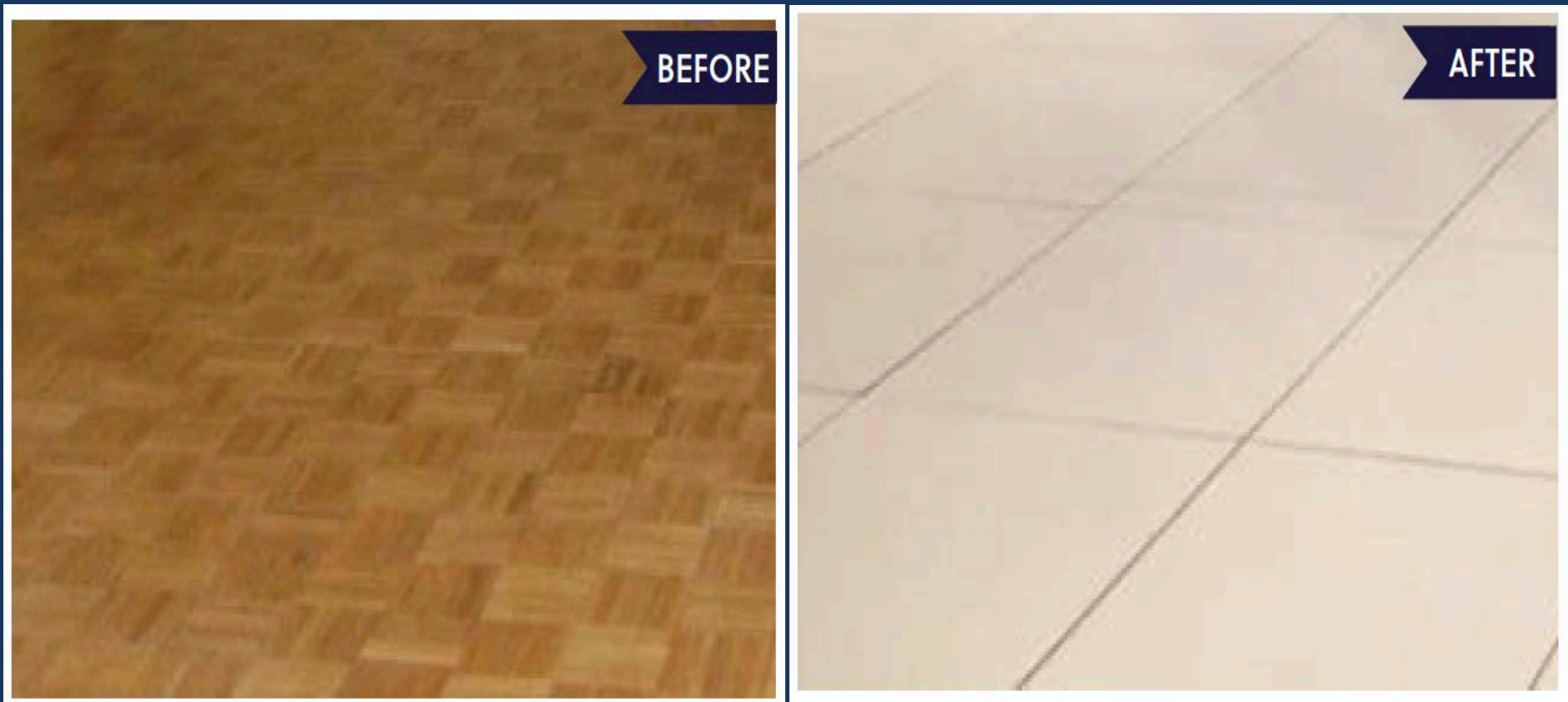
Sales (Reported)		Decline (\$)	Decline (%)
2015	\$17,922,151	\$-	
2016	\$16,900,410	\$-1,021,741	-5.7%
2017	\$10,875,102	\$-6,025,308	-35.7%
2018	\$5,884,143	\$-4,990,959	-45.9%
Cumulative	\$51,581,806	\$-12,038,008	-67.2%



Big Creek Crossing – Hays, KS



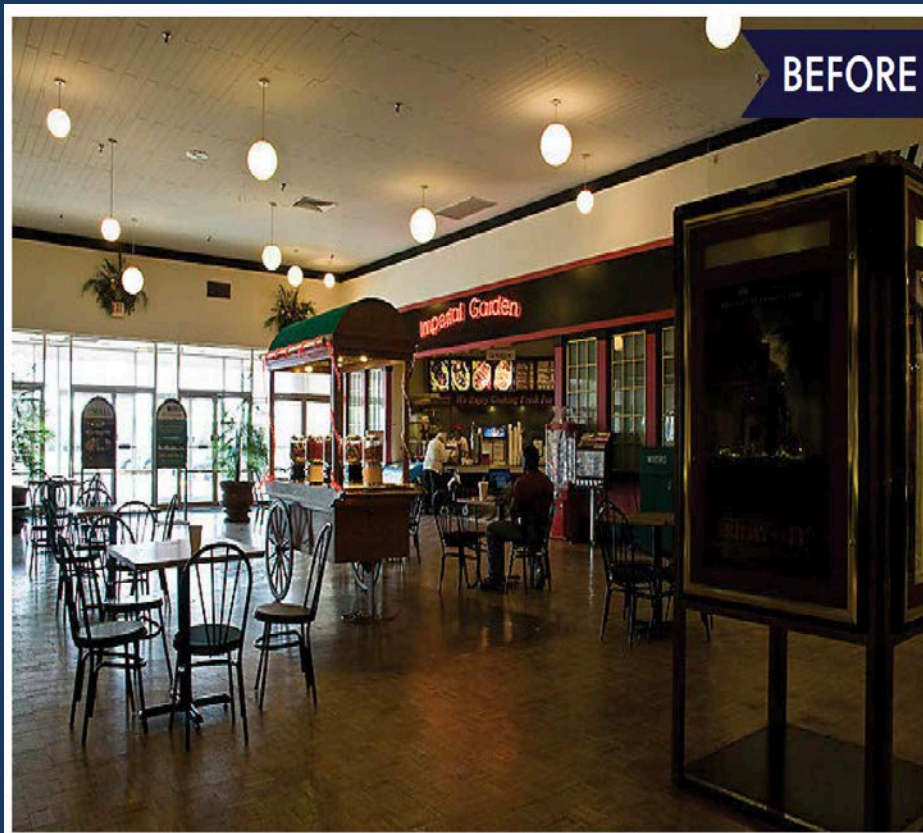
Big Creek Crossing – Hays, KS



Big Creek Crossing – Hays, KS



Big Creek Crossing – Hays, KS



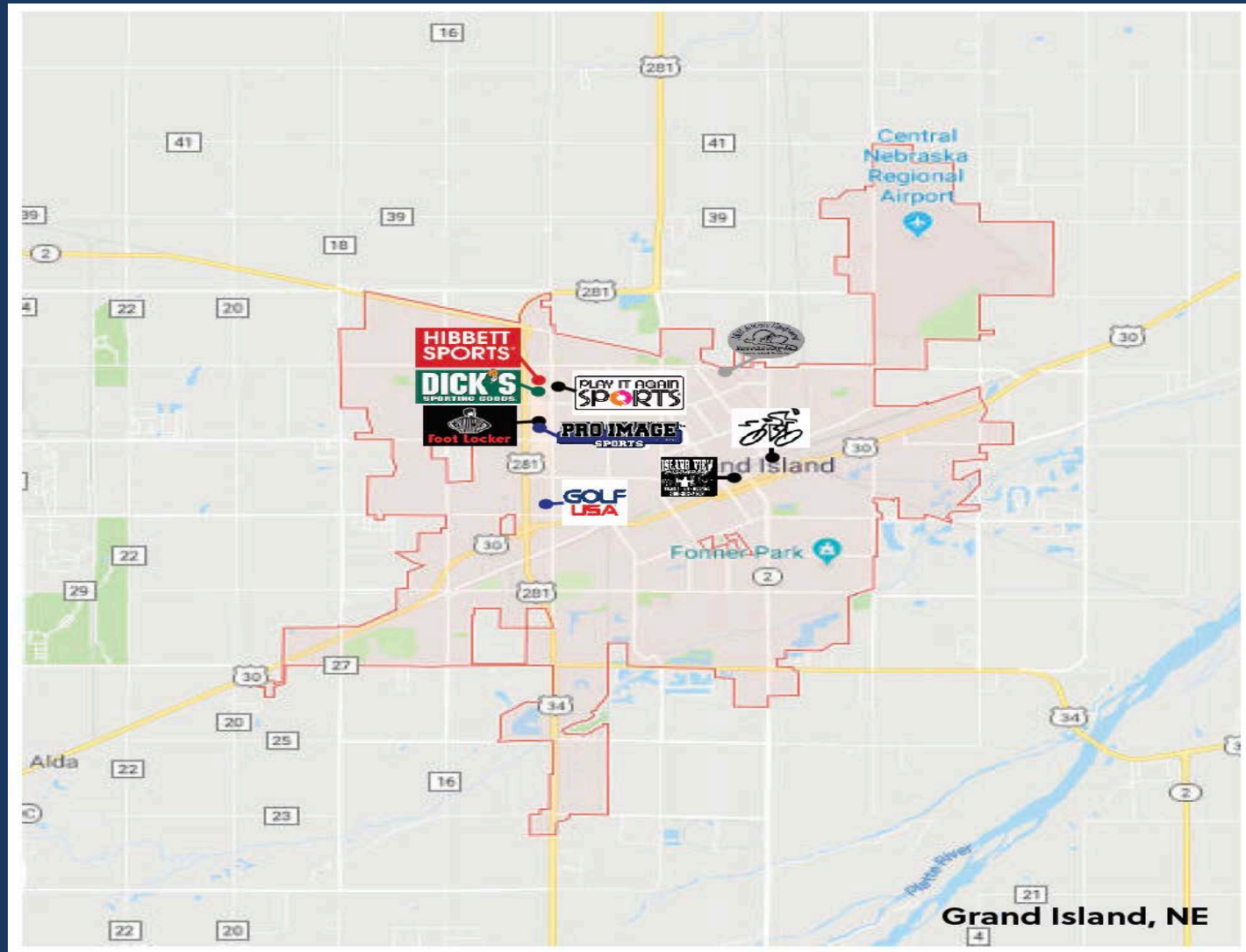
Big Creek Crossing – Hays, KS



Leavenworth, KS



Example of Sporting Goods Stores Coexisting



Tenants that have declined

- Boot Barn
 - Ulta
 - Cavender's
 - Planet Fitness
 - Harbor Freight
 - Fresh Thyme
 - Big Lots
- Aldi
 - 5 Below
 - Duluth Trading
 - Ace
 - Kohls

Landlord Investments

Landlord Investments

	Total
HyVee & Gas Station	\$3,646,084
Hallmark	\$170,825
Bath & Body Works	\$219,292
Imperial Palace	\$3,343
Main Street Expansion	\$74,660
Buckle	\$56,250
Claire's	\$23,869
Hastings	\$62,524
Schweser's	\$6,683
Other Tenants	\$165,256
Capital Expenses	
Asphalt/Concrete	\$277,501
HVAC/Electric	\$47,162
Plumbing	\$23,278
EIFS	\$5,000
Pylon	\$50,926
Total	\$4,832,653

Estimated Costs

• Roof	\$	621,452
• HVAC		400,000
• Tenant rehab		2,156,192
• Restroom update		80,000
• Mall exterior		<u>130,000</u>
• Total	\$	3,387,644
• Dunhams tenant costs	\$1,402,230 by owner	

Process for Implementation

- Mall owner prepares redevelopment plan and requests designation as “Enhanced Employment Area.
- CDA sends plan to Planning Commission for hearing.
- Planning Commission Hearing.
- CDA recommends plan to Council.
- Council Hearing.

Process for Implementation

- Council adopts resolution approving plan.
- CDA passes resolution designating Mall as an “Enhanced Employment Area”.
- CDA and Council approve agreement for City to impose occupation tax.
- Redevelopment contract providing for details of Mall improvement and Occupation Tax bond between Mall owner and CDA.

Process for Implementation

- City passes ordinance imposing occupation tax on business in Mall on same transactions as city sales tax.
- CDA issues bond providing for advances as costs are incurred by Mall owner.
- Mall owner buys bond, borrows money from time to time and makes improvements.
- Costs are allocated to bond.

Process for Implementation

- Retailers make monthly payments to City.
- City retains an agreed administrative fee.
- Balance of funds paid to CDA which makes bond payment.

The Bond

- Not to exceed \$2,700,000.
- Bank rate of interest.
- Based on assumptions of sales increases.
- 20 year payment.
- Bondholder is the Mall owner.
- No liability on CDA, City or taxpayers.
- Payment comes only from Mall sales.

Documentation

We will prepare drafts for your city attorney to review and modify:

- Redevelopment Plan, notices of hearings and agendas.
- Resolutions for the CDA and Council approval.
- Ordinance to impose occupation tax.
- Agreement between CDA and City.
- CDA bond resolution and closing documents.